

AUDIT AND STANDARDS COMMITTEE

25 July 2018

Title: Approval of the Statement of Accounts and Annual Governance Statement 2017/18	
Report of the Chief Operating Officer	
Open Report	For Decision
Wards Affected: All	Key Decision: No
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Accountable Director: Claire Symonds, Chief Operating Officer & S151 Officer	
Summary <p>The Council's draft accounts were approved by the Chief Operating Officer on the 31st May 2018 June 2017 and have been subjected to detailed audit by our external auditors, KPMG. Whilst the audit has yet to be completed, as at the date of preparing this report, KPMG are proposing to issue an unqualified audit opinion for the Statement of Accounts, including the Pension Fund.</p> <p>In accordance with the Accounts and Audit Regulations 2015, the accounts and the Annual Governance Statement are now being presented to this Committee for their consideration and approval prior to publication by 31 July 2018.</p>	
Recommendation <p>The Audit and Standards Committee is recommended to:</p> <ul style="list-style-type: none">(i) Review and approve the draft Statement of Accounts for the year ended 31 March 2018, as set out at Appendix 1 to the report;(ii) Approve the Annual Governance Statement for the year ended 31 March 2018, as set out at Appendix 2 to the report;(iii) In order to comply with the Council's statutory obligations, confirm that the final Statement of Accounts 2017/18 be published by 31 July 2018 and authorise the Chief Operating Officer, in consultation with the Chair, to make any changes to the draft accounts that may be agreed with the Council's external auditor.	
Reason(s) <p>It is a statutory obligation for the Council's Statement of Accounts to be produced and audited in accordance with the timetable as set out in the Audit and Accounts Regulations 2015, and that the Statement of Accounts and the Annual Governance Statement must be approved by a Committee of the Council</p>	

1. Introduction and Background

- 1.1 The publication of the Statement of Accounts is governed by the requirements of the Accounts and Audit Regulations 2015. These require the Statement of Accounts to be certified by the Council's Section 151 officer (Chief Operating Officer) as presenting a true and fair view of the financial position of the Council by the 31st May 2018 of each year. The accounts must then be submitted for external audit to publish audited accounts by no later than the 31st July of the same year.

2. Audit of Accounts

- 2.1 Following certification by the Chief Operating Officer by the 31st May 2018 the accounts have been subject to detailed and rigorous review by the Council's external auditors, KPMG. The audit report is still being finalised, but our understanding is KPMG are planning to issue an unqualified opinion. A verbal update will be given at this meeting and KPMG will also present their External Audit Report (ISA 260) on the Accounts and Pension Fund.
- 2.2 In compliance with the Accounts and Audit regulations, the Accounts were made available for public inspection for 20 days during the audit. This period concluded on 12th July 2018, from when, until the conclusion of the audit, electors or their representatives were able to question or raise objections with the external auditor. KPMG have not received any objections from local electors in relation to the 2017/18 Statement of Accounts.
- 2.3 The auditors have identified during the audit a number of adjustments to the Statement of Accounts the audit of the main statements. These are identified in the ISA 260 and the Statement of Accounts have been amended. A summary is set out below.
- 2.4 A number of adjustments have been made to Property, Plant and Equipment; Eastbury Primary School which has received Academy status has been written out as a disposal totalling £19m, the asset value of Robert Clark Comprehensive has been increased by £3.5m and the asset value of Grafton Primary has been increased by £4m. Overall this results in a net reduction in figure for Property, Plant and Equipment by £11.5m, shown in the draft accounts. The Comprehensive Income and Expenditure Statement has been adjusted by £9m to reflect the net impact of the disposal of Eastbury Primary School and a correction relating to the Weavers; There is no impact upon the Council's reserves and balances arising from these adjustments.
- 2.5 An adjustment has been made to the Schools Income and Expenditure, Cash and Reserves. This adjustment reflects the updating of the accounts from an estimated position to a final actual outturn from schools which was not available at the 2017/18 Statement of Accounts were drafted. The impact of this has been to reduce schools expenditure by £1.1m and this has increased the overall level of Schools reserves by an equivalent amount.
- 2.6 There are also small number of adjustments made to the Statement of Accounts and notes to the accounts. They relate mainly to presentational issues and will ensure that the Council complies with technical accounting regulations, specifically

CIPFA's Code of Practice on Local Authority Accounting. There will be no impact upon the Council's reserves and balances. At the time of writing this report, all adjustments have been agreed with the auditors. Given the audit is still on-going, the Committee is recommended to delegate responsibility for finalising the accounts to the Chief Operating Officer in liaison with the Lead member in order to meet 31st July statutory deadline.

- 2.7 KPMG will provide the committee with their findings in their separate report ISA 260 report setting out the key issues identified during the course of the audit. Management's responses to any recommendations that the report may be given at the meeting.

3. Pension Fund

- 3.1 KPMG audit work is still ongoing, based on the audit work undertaken to date it is not anticipated that any significant adjustments will be made to the Pension Fund.

4. Value for Money Conclusion

- 4.1 It has been concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. KPMG anticipate issuing an unqualified VFM conclusion by 31st July 2018.

5. Annual Governance

- 5.1 The Council's duty in respect of the Annual Governance Statement (AGS) is to undertake an annual review of its governance arrangements, which includes the effectiveness of its system of internal control. This has been done and the statement, which has been signed by the Leader of the Council and Chief Executive, is included as a separate section within the statement of accounts. The auditors have reviewed the statement and confirmed that it complies with the guidance, *Delivering Good Governance in Local Government: A Framework*, issued by CIPFA/SOLACE.

6. Management Representation Letter

- 6.1 It is a requirement of external audit that the Section 151 Officer signs a letter of representation confirming that he has the responsibility for the proper administration of the financial affairs of the authority and that the duties that this entails have been undertaken. The draft letter will be signed nearer to the date of approval of the accounts.

7. Publication of the Statement of Accounts

- 7.1 If the recommendation to approve the Accounts is agreed by this committee, KPMG will be able to provide their formal opinion on the accounts and formally conclude the audit. The accounts will then be placed on the Council's website.

8. Financial Implications

- 8.1 These have been addressed in the body of the report.

9. Legal Implications

- 9.1 The Local Audit and Accountability Act 2014 (the '2014 Act') requires that the Council as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Council's responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation.
- 9.2 Furthermore, specified relevant local authorities¹ are required under Regulation 6(1) (b) to prepare an Annual Governance Statement ('AGS').

Governance is defined by CIPFA / SOLACE² as:

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

and

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

- 9.3 The Regulations require the AGS be approved by a resolution of a Committee of the Council.
- 9.4 Following approval the Council must publish no later than 31st July 2018 the statement of accounts, the AGS as approved and a narrative statement by the Council on its financial performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.

Public Background Papers Used in the Preparation of the Report: None

List of Appendices

Appendix 1- Draft Statement of Accounts 2017/18

Appendix 2- Annual Governance Statement 2017/18

¹ See Section 2 and Schedule 2 of the Accounts and Audit Regulations 2015

² CIPFA SOLACE Delivering Good Governance in Local Government Framework 2016 Edition